

West Kentucky's Economy Shows Modest Growth

This is the second in a series of four reports documenting economic changes in four regions of the Commonwealth during the decade of the 1990s and examining the ways in which these changes relate to the framework for development presented in Table 1. Again, we turn to MDC, Inc., a North Carolina research group specializing in the unique economic structure of the southern United States, for a framework for assessing the economic health of western Kentucky. Table 1 shows the six building blocks MDC suggests and the shift from dated concepts of economic development to this new structure.

	<i>From emphasis on growth as goal</i>	<i>To emphasis on development as goal</i>
Business Development	More jobs	More high-quality jobs
Workforce Development	Low-skill, low-wage labor	High-skill, high-value labor
Physical Infrastructure	Traditional infrastructure (roads, water, sewer, etc.)	Traditional plus emerging infrastructure (telecommunications)
Social Infrastructure	Human services, such as child and elder care, health care, and housing, as peripheral to development	Human services as integral to development
Cultural and Environmental Stewardship	Heritage preservation, i.e., protecting the physical and built environment, as grounded solely in the past	Utilizing cultural and environmental assets as tools for community building and development
Civic Infrastructure	Maintaining traditional models of civic participation and governance	Developing broad, diverse community leadership and a government that works for all people

For the purposes of these analyses, we use Area Development District (ADD) boundaries to divide the state into four regions: eastern, western, south central, and the urban triangle of Kentucky. This report analyzes some of the social and economic changes that occurred in western Kentucky during the 1990s and their potential implications for the future.

As we noted in our profile of eastern Kentucky, structural economic changes, namely globalization and the advance of technology, have compelled more comprehensive local approaches to economic development. In this new environment, economic development can no longer be achieved through a simple jobs-creation strategy. Instead, a more holistic process is needed to raise

The challenges Kentucky faces in economic development are readily apparent in the social and economic changes that have taken place over the past decade. In some areas, communities are becoming more vulnerable to the structural changes afoot in the new economy, not less. In addition, government at all levels is once again feeling acute pressure to do more with less as budgetary constraints conflict with the ever-increasing demands of citizens for more services.

Western Kentucky is a diverse region bordered to the north and west by the Ohio River and to the south by Tennessee. Rolling farmland outlies industrialized river towns to the north and a prominent military post to the south, while flat delta-like terrain marks the far west areas near the river. For the purposes of this report, western Kentucky includes 24 counties (see Figure 1), covering approximately 8,812 square miles of land.² Approximately 53 percent of the residents of this region lived in rural communities in 2000.

When we examine western Kentucky in light of the first building block of MDC's development model shown in Table 1, we find an industrially stagnant jobs environment characterized by moderate economic growth. While the overall industrial composition of the region's employment remained relatively unchanged, both the number of jobs and wages increased but at a rate slightly lower than that for the rest of the state. Between 1990 and 2000, the total number of full- and part-time jobs increased in western Kentucky

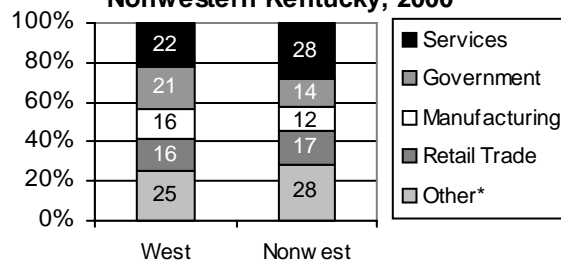
A map of Kentucky showing its 120 counties. The counties are labeled with names. A legend in the top left corner shows a grid of squares with numbers 1 through 120, indicating the number of counties in each region. The map is divided into several regions, each labeled with a number. The regions are: 1 (Northwest), 2 (North), 3 (Northeast), 4 (East), 5 (Southeast), 6 (South), 7 (Southwest), 8 (West), 9 (Central), 10 (North Central), 11 (Northwest Central), 12 (North Central), 13 (North Central), 14 (North Central), 15 (North Central), 16 (North Central), 17 (North Central), 18 (North Central), 19 (North Central), 20 (North Central), 21 (North Central), 22 (North Central), 23 (North Central), 24 (North Central), 25 (North Central), 26 (North Central), 27 (North Central), 28 (North Central), 29 (North Central), 30 (North Central), 31 (North Central), 32 (North Central), 33 (North Central), 34 (North Central), 35 (North Central), 36 (North Central), 37 (North Central), 38 (North Central), 39 (North Central), 40 (North Central), 41 (North Central), 42 (North Central), 43 (North Central), 44 (North Central), 45 (North Central), 46 (North Central), 47 (North Central), 48 (North Central), 49 (North Central), 50 (North Central), 51 (North Central), 52 (North Central), 53 (North Central), 54 (North Central), 55 (North Central), 56 (North Central), 57 (North Central), 58 (North Central), 59 (North Central), 60 (North Central), 61 (North Central), 62 (North Central), 63 (North Central), 64 (North Central), 65 (North Central), 66 (North Central), 67 (North Central), 68 (North Central), 69 (North Central), 70 (North Central), 71 (North Central), 72 (North Central), 73 (North Central), 74 (North Central), 75 (North Central), 76 (North Central), 77 (North Central), 78 (North Central), 79 (North Central), 80 (North Central), 81 (North Central), 82 (North Central), 83 (North Central), 84 (North Central), 85 (North Central), 86 (North Central), 87 (North Central), 88 (North Central), 89 (North Central), 90 (North Central), 91 (North Central), 92 (North Central), 93 (North Central), 94 (North Central), 95 (North Central), 96 (North Central), 97 (North Central), 98 (North Central), 99 (North Central), 100 (North Central), 101 (North Central), 102 (North Central), 103 (North Central), 104 (North Central), 105 (North Central), 106 (North Central), 107 (North Central), 108 (North Central), 109 (North Central), 110 (North Central), 111 (North Central), 112 (North Central), 113 (North Central), 114 (North Central), 115 (North Central), 116 (North Central), 117 (North Central), 118 (North Central), 119 (North Central), 120 (North Central).

by 56,762 or 19 percent compared with 23 percent job growth in the rest of the state. The average unemployment rate for the counties in the region dropped from 7.4 percent in 1990 to 5.4 percent in 2000. This unemployment rate was approximately the same as the average rate for counties in the rest of the state (5.2 percent) but notably higher than the U.S. average (4.0 percent). However, unemployment rates soon rose in 2001 for western Kentucky (7.0 percent) as well as the rest of the state (6.6 percent), both substantially higher rates than the national average of 4.8 percent.

Changes occurred in each industry as some lost jobs and others gained, but the overall composition of employment and earnings changed little over the decade. Four industrial sectors accounted for approximately three quarters of the employment in both western Kentucky and the rest of the state in both 1990 and 2000 (see Figure 2). These sectors are services, government, manufacturing, and retail trade. Noteworthy differences are testament to the economic advantages western Kentucky enjoys over the remaining areas of the state. The most notable is seen in the government sector which accounts for approximately 21 percent of the region's employment compared with 14 percent for the rest of the state. Most of this employment is linked to Kentucky's largest military operation, Fort Campbell. Approximately 36 percent of government-sector employment in western Kentucky is attributable to the military compared with 10 percent in the rest of the state. In 2000, approximately 27 percent of personal income in western Kentucky was attributable to the government sector compared with 17 percent in the rest of the state.

Another notable difference in western Kentucky's industrial profile is its lower dependency on service jobs in comparison with the rest of the state. About 22 percent of the jobs in this region are in

FIGURE 2
Distribution of Employment by
Industrial Sector, Western and
Nonwestern Kentucky, 2000



Source: Bureau of Economic Analysis

*Other includes: ag. services, forestry, fishing and other, mining, construction, wholesale trade, transportation and utilities, finance, insurance and real estate, and farming.

the service sector compared to 28 percent elsewhere, a mark of economic strength in that many service industry jobs are low-wage and low-skill. As a component of personal income, the service sector provides approximately 18 percent in western Kentucky compared to 23 percent in the rest of the state. The region, however, does not fare as well in the case of retail trade, which is predominantly a low-wage, low-skill industry. Approximately 16 percent of jobs in western Kentucky are in retail trade, the same percentage found in the rest of the state. In addition, growth in the service sector was stronger, 40 percent between 1990 and 2000 compared with 29 percent for the rest of the state, suggesting some realignment of job composition within the region.

Manufacturing, a historically important industry in this region, showed only a slight advantage over the rest of the state. It held steady at 16 percent of employment and approximately one fifth of total earnings in both 1990 and 2000. The employment estimate is only slightly higher than that found for the rest of the state (12 percent). Similar to western Kentucky, the rest of the state relies upon manufacturing for approximately one fifth of its personal income. Western Kentucky and the rest of the state saw similar growth patterns in employment and earnings as manufacturing employment increased by approximately 15 and 11 percent, respectively, and earnings from manufacturing increased approximately 53 percent for both areas.

A predominantly rural region, western Kentucky has also looked to farming as a source of supplemental employment and income over the years. While the region experienced moderate growth in jobs in this sector (2 percent), earnings more than doubled. And western Kentucky was able to hold fast to its slight advantage over the rest of the state in this sector with approximately 6 percent of its employment and 4 percent of its earnings from farming compared with 4 percent and 2 percent, respectively, in the rest of the state.

Considerable job losses occurred in the mining sector which declined from 3 percent of overall employment in the region in 1990 to just 1 percent in 2000. Earnings for this traditionally high-wage industry also fell from 6 percent of total earnings in western Kentucky in 1990 to just 2 percent by 2000. While these trends are similar to those found for mining in the rest of the state, the decline in jobs and earnings in this part of the state may be partially attributable to the type of coal extracted there. The western coalfield

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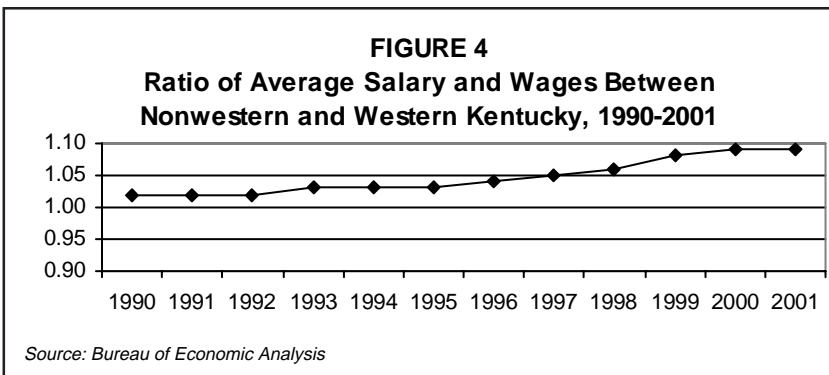
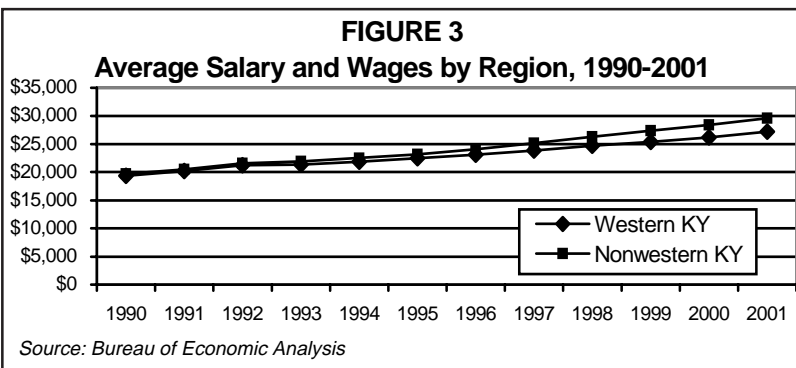
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yields coal higher in sulfur content than that found in the eastern coalfield and other parts of the country. Demand for this type of coal dropped in the 1990s as power plants worked to reduce sulfur dioxide emissions as required under the Clean Air Act of 1990.³

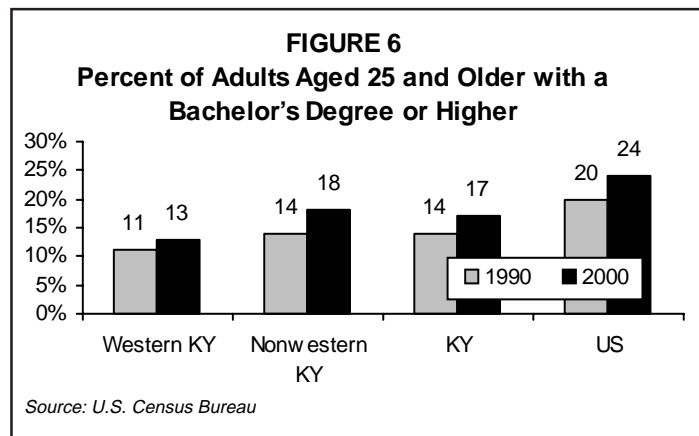
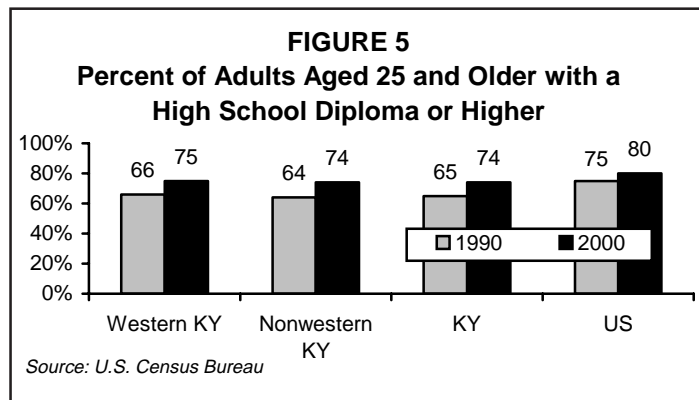
Changes in personal income and its components, wages and salaries, show evidence of the potential for quality job growth in this region mixed with indicators of a sluggish economy on the horizon. The average real county per capita income (CPCI) in western Kentucky was 112 percent of the CPCI in the rest of the state in 1990. The CPCI increased for both western Kentucky and the rest of the state, and the western region ended the decade with a CPCI approximately 113 percent of the CPCI for the rest of the state. The average real CPCI for the region increased 19 percent from \$18,783 in 1990 to \$22,341 in 2000.⁴ This exceeded the \$19,535 average 2000 CPCI for the remaining counties, which increased 17 percent from \$16,697 in 1990.

A relatively slower pace of growth in average salary and wages, a component of CPCI, illustrates the lagging earnings potential of many jobs in western Kentucky. Figure 3 shows an increase in average salary and wages from 1990 to 2001 for both western Kentucky and the rest of the state, but wages in western Kentucky rose at a slightly slower pace, contributing to growth in the gap between the region and the rest of the state. Approximately equal in 1990, the ratio between the average salary and wages of the region compared with the rest of the state was 1.02. By 2000, the ratio between average salary and wages in the counties outside western Kentucky and those within the region had risen to approximately 1.09 (see Figure 4).



Lagging Readiness for Today's Workforce

Continuing to follow MDC, Inc.'s recommended strategy for development, we examine the region's progress in light of its success in building a high-skill, high-value workforce. Data show that western Kentucky is on par with the rest of the state in the rate of



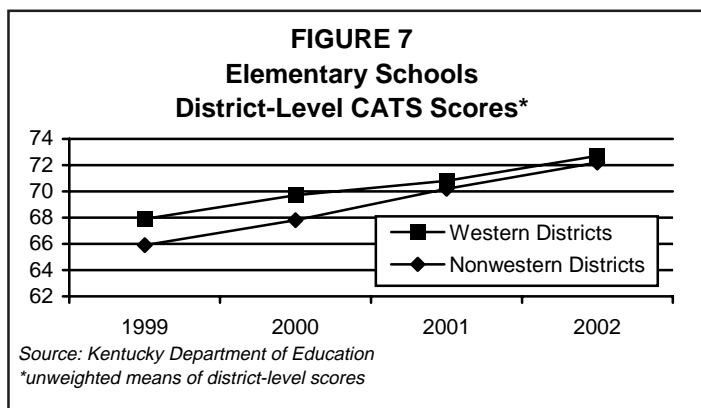
attainment of a high school education among adults (see Figure 5).⁵

The region began the decade slightly ahead of the rest of the state and maintained that status, as the pace of progress remained much the same for both the region and the rest of the state. However, this is not the case for postsecondary educational attainment. Western Kentucky began the decade trailing the rest of the state in this indicator, and although it made progress, it actually lost ground compared to its initial position relative to the rest of Kentucky and ended the decade a full 5 percentage points behind in this key indicator (see Figure 6).

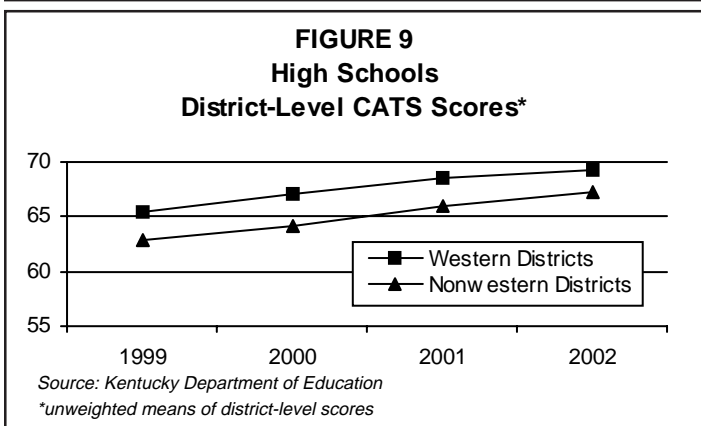
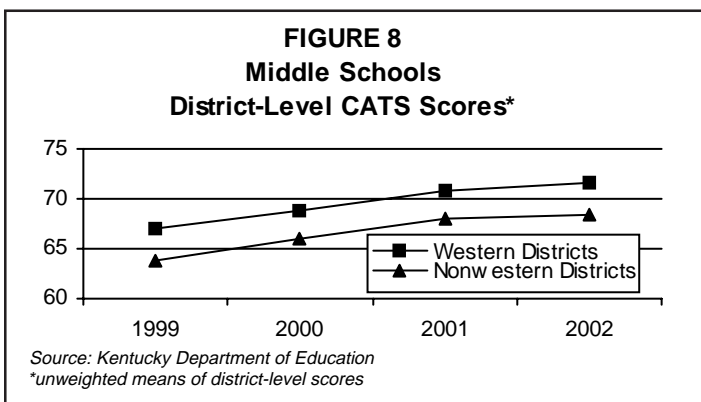
A comparison of educational attainment levels between the region and the rest of the state by age group shows similar patterns in the attainment of a high school diploma, but a lack of equivalent progress in the attainment of a four-year postsecondary degree. While 86 percent of western Kentuckians aged 25 to 34 had a high school diploma or equivalent in 2000 compared with 84 percent elsewhere, only 15 percent had a four-year college degree compared to 22 percent in the rest of the state. And lagging attainment is not solely the result of lower educational attainment levels among older generations. Indeed, the younger generations of western Kentucky exhibit similarly low levels of postsecondary educational attainment. The gap between western Kentucky and the rest of the state in this indicator reveals the ground this region will have to make up in order to compete effectively in the modern economy.

Importantly, western Kentucky leads the rest of the state in educational achievement at the elementary, middle, and high school levels, a positive indicator for the future. Figures 7, 8, and 9 show

the average CATS scores for elementary, middle, and high school districts, respectively, for the region and the rest of the state. In each case, the scores improved and remained higher than the improvements made in the rest of Kentucky. However, the rest of the state closed the gap considerably in 2002 at the elementary level (see Figure 7).



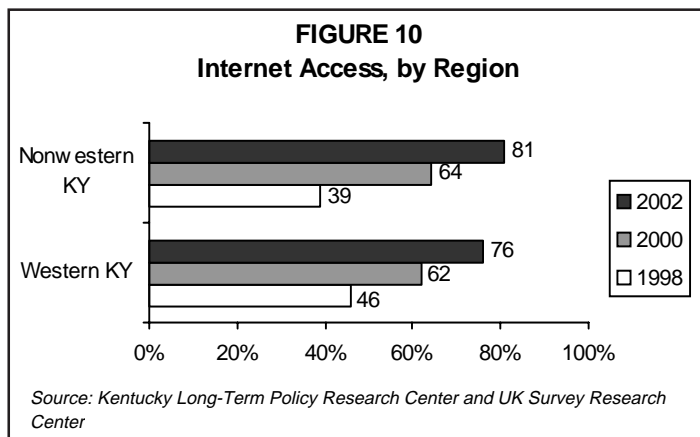
While the region did not suffer actual losses of its current or future workforce, its population increased at a slower pace than the rest of the state in every age group. With a population increase of 29,903 between 1990 and 2000, an estimated 616,391 people lived in western Kentucky in 2000, accounting for approximately 15 percent of the state's population. Population, however, grew at a rate (5 percent) less than half of that in the rest of the state (11 percent). The age-18-and-under population increased by just 1 percent compared to 5 percent in the rest of the state. Growth among working-age adults, those aged 18 to 64, was just 7 percent compared to 13 percent in the rest of the state. Even among older citizens, those aged 65 and older, the population grew by just 3 percent compared to 9 percent.



A Strong Foundation for Development

When we turn to consideration of physical infrastructure as envisioned by MDC, we find evidence of conditions comparable to those found elsewhere throughout the state. In short, the region recognizes that bridging the so-called digital divide is key to the economic development of communities, as well as ensuring safe roads, adequate and clean drinking water, and effective wastewater treatment.

Data for western Kentucky indicate that, similar to trends in the rest of the state, electronic connectedness is advancing. Figure 10 shows significant increases in each of the survey years in the percent of adults who had accessed the Internet in the previous year. The graph also suggests the possibility of regional differences between western Kentucky and the rest of the state, but due to small sample sizes, these differences could not be substantiated, as they are not statistically significant. A 2002 report on Kentucky network access revealed that at 30 percent, western Kentucky trails the remaining regions in the percent of residents with cable modem access.⁶ However, at 51 percent, the level of DSL access in the region is second only to northern Kentucky. The study also notes that while 65 percent of the region's counties have access to cable modem service and DSL is generally available in the populated areas, Carlisle and Hickman counties have neither type of broadband resource available to their residents.⁷ High-speed access is fast becoming a necessity for business location, one that can effectively eliminate many rural disadvantages. Without it, many are unable to rapidly connect to headquarters, receive online orders, and execute tasks that require high-capacity, high-speed Internet access.



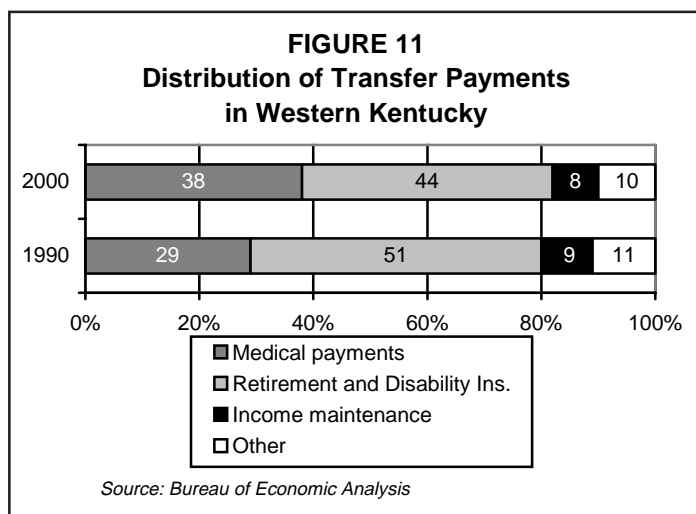
In the building and maintenance of traditional physical infrastructure, such as clean water, sewer, and roads, data from the state-wide strategic plans for these systems in the coming years suggest that western Kentucky's systems are in reasonably sound condition relative to the rest of the state. Using projected expenditures as a measure of need, we find that western Kentucky is expected to consume just 12 percent of the cost of the state's total outlay for building and maintaining public water lines from 2000 to 2020—the least of the four regions we are examining.⁸ Proposed plans for public sewer systems from 2000 to 2020 show western Kentucky needs are expected to require about 16 percent of the state's total costs.⁹ And, of the \$6.2 billion cost to complete long-range highway improvements, approximately 19 percent is expected to be spent in the area for approximately 24 percent of the planned improvement mileage throughout the state.¹⁰ In short, these projected

needs suggest significant regional strength in traditional infrastructure.

Health Care Costs Bite Deeply

In MDC's matrix, a strong social infrastructure that enables all people to live and work with dignity assumes a high level of importance. The goals MDC outlines for communities in this area also include affordable, quality health care for all as a pathway to self-sufficiency for economically vulnerable individuals and families. And MDC asserts that affordable housing should be viewed as a right and home ownership as an asset-building tool for both homeowners and communities.¹¹ Here, the theme of unchanging conditions continues for western Kentucky where little change was evident in the economic vulnerability of its citizens.

While data indicate an unchanging income scenario throughout the decade, considerable differences in public health care payments to economically vulnerable persons are found. The distribution of personal income remained relatively unchanged for western Kentucky between 1990 and 2000, with earnings constituting 64%; dividends, interest, and rent 19%; and transfer payments at 17%. However, Figure 11 shows the change in the composition of sources of transfer payments for the period. Transfer payments from retirement and disability declined from 51 percent of total transfer payments to 44 percent, while those from medical payments increased from 29 percent to 38 percent between 1990 and 2000. While the percent of medical payments for Medicare declined from 59 percent to 52 percent, medical payments for public assistance medical care (Medicaid) rose sharply, from 38 percent in 1990 to 47 percent in 2000. Thus, while the region's rate of dependency has not changed significantly, the cost of health care in general and to the partly state-financed Medicaid Program in particular skyrocketed over the decade. At the same time, fewer transfer payments issued from retirement and disability and more from public assistance for medical care indicate a shift in cost burdens away from Medicare, which does not cover costly prescription drugs or long-term care, and employer-sponsored programs, to a program that aids individuals based upon need.



Environmental Strengths, Weaknesses and Cultural Gaps

As Table 1 shows, preserving and enhancing the natural, cultural, historical and built environment of communities is integral to the MDC framework for development. Our data show that these

values are important to western Kentuckians, but challenges remain. The region has become a retirement haven for many who treasure its abundance of natural beauty and amenities, with such attractions as the largest man-made lakes in the country and Mammoth Cave—a national park. What's more, these assets have not gone unnoticed by community leaders and residents, who are acting to preserve them. According to survey results, more than two thirds of western Kentuckians recycled items like glass containers, plastic containers, or newspapers in 2000, indicating a strong awareness of and commitment to preserving the region's natural beauty.

Appreciation of arts and culture is also strong, but relatively less so, in this region than in the rest of the state. Approximately half (48 percent) of residents reported having visited a museum, festival, arts performance, or historic site in their home county during the previous 12 months, according to a 2000 survey, compared to 63 percent in the rest of the state.¹²

The region's environment is also affected by the presence of a coalfield that underlies an estimated 12 counties of the western and central part of the state.¹³ In 2000, western Kentucky had 26 mines that produced 25,787 short tons of coal.¹⁴ Six of Kentucky's top-10 producing mines in 1999 were located in western Kentucky. The principal environmental problems associated with coal mining are unreclaimed spoil and refuse piles, pot-hole subsidence, and acid mine drainage, but the impact of abandoned mines on potable and industrial water supplies also has been significant.¹⁵ Associated problems remain in spite of passage of the federal Surface Mining law in 1977 which mitigated these problems and made reclamation, the process of restoring the site to a useful state, an integral and standard part of the mining industry's work. The Abandoned Mine Land Reclamation Program established in 1982 was designed to provide for the reclamation unaddressed in the 1977 law. Under this reclamation program, the Pleasant View mine site near Madisonville was recognized by the U.S. Office of Surface Mining in 2000 and received a regional and national award from the agency.

Toxic chemical releases also pose a serious threat to the environment in this area of the state. Kentucky ranked 20th in the nation in 1999 in toxic releases, and the majority of these releases (65 percent) occurred in 10 counties. Of the top-10 Kentucky facilities releasing toxic chemicals to the environment in 1999, five were located in western Kentucky counties. Many of the state's power plants, which were responsible for 97 percent of the hydrochloric and sulfuric acid releases in the state in 1999, are located in the western region.¹⁶

Civic Support for the Future

The final building block of economic development that we borrow from MDC is that of a strong civic infrastructure bolstered by a culture of participatory decisionmaking and problemsolving that is future-oriented, accountable, and inclusive. Ensuring open and accountable governments that value all voices and develop the civic capacity of communities to address their own challenges and opportunities are among the goals that MDC suggests southern communities focus their efforts upon.

We find high levels of civic pride, confidence in the safety of communities, and trust of others throughout the Commonwealth, including the western region. These attributes are indicators of the strength of the ties that bind our communities together. In 2002,

approximately 95 percent of western Kentuckians were extremely or somewhat proud of their communities, compared with 93 percent in the rest of the state.¹⁷ The vast majority of citizens (95 percent) of the region, as in the rest of the state, reported that they always or usually felt safe.¹⁸ Almost two thirds, about 62 percent, said that they could usually trust others, compared with a slightly lower 58 percent in the rest of the state.¹⁹

The rich social capital throughout the state is manifested in high levels of civic activity, including volunteering, participating in community projects, and pursuing leadership development opportunities. Approximately 58 percent of Kentuckians in both the western part of the state and the remaining regions reported volunteering on a regular basis while approximately 84 percent and 80 percent made charitable contributions in that year, respectively.²⁰ Similar to the rest of the state, most adult western Kentuckians, approximately 88 percent, were registered to vote in 2002.²¹ And approximately 43 percent of Kentuckians in the western region had participated in a group to solve a problem or address a need in their community, while approximately 10 percent had actually led such a project.²² A little over a quarter (28 percent) of western Kentuckians, like the rest of the state, had participated in a leadership development program in the previous year.²³

Conclusion

Overall, the economic landscape of western Kentucky remained relatively unchanged over the last decade. For the most part, its residents remained reliant upon the same industries for employment and income. As a consequence, the high levels of government employment found in this region are a potential point of vulnerability when the nation undergoes its next round of base realignments and closures scheduled for 2005.²⁴ Otherwise, the region's economic makeup is quite similar to that of the rest of the state. While the region was able to maintain its income advantage over the rest of the state over the decade, declining wages and salaries relative to the rest of the state indicate some erosion in the earnings power of jobs in this region. While the region's workforce has been poorly positioned for advancement in the new economy, with educational attainment at the postsecondary level lagging behind the rest of the state, the performance of elementary and secondary students promises improvement ahead.

Physical infrastructure, abundant natural amenities, environmental quality, and strong civic capacity are areas of considerable strength on which the region can build. Overall, indicators point to a relatively stable economy in an as-yet unspoiled region that is ideal for families as well as seniors seeking peaceful, beautiful, amenity-rich places for retirement. The region's considerable natural amenities combined with opportunities for economic stability offer a foundation that could yield real returns in the decades to come. However, the past mainstays of the economy are declining, and forward-thinking community leaders and activists will be needed to maintain—and elevate—this quality of life in the years to come.

Dr. Amy L. Watts is a policy analyst at the Kentucky Long-Term Policy Research Center. The author would like to thank Michal Smith-Mello for her invaluable editorial contributions.

Notes

¹ MDC, Inc., *The Building Blocks of Community Development* (Chapel Hill, NC: Author, 2002).

² The counties included in this region are: Ballard, Caldwell, Calloway, Carlisle, Christian, Crittenden, Daviess, Fulton, Graves, Hancock, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, McLean, Muhlenberg, Ohio, Todd, Trigg, Union, and Webster.

³ Leslie Cole, Erik Siegel, and Lola Williamson, *2000-2001 State of Kentucky's Environment* (Frankfort, KY: The Kentucky Environmental Quality Commission, June 2001) 135.

⁴ All estimates reflect constant 2000 dollars.

⁵ These are simple descriptive statistics, for which tests for statistically significant differences among them were not conducted.

⁶ Center for Information Technology Enterprise (CITE), *Kentucky Prepares for the Networked World* (Bowling Green, KY: Author, 2002) 10-11. The Kentucky regions referred to here are slightly different than those in our analysis.

⁷ CITE 10.

⁸ Author's calculations from "Public Water Needs: 2000-2020," in Governor's Water Resource Development Commission, *Water-Resource Development: A Strategic Plan* (Frankfort, KY: Governor's Commission, October 1999) 6-8.

⁹ Author's calculations from "Public Sewer Needs: 2000-2020," in Governor's Commission, *Water Resource Development: A Strategic Plan for Wastewater Treatment* (Frankfort, KY: Author, March 2000) 10-12.

¹⁰ Author's calculations from "Long-Range Highway Plan Element (FY 2005-2018)" in Kentucky Transportation Cabinet, *Statewide Transportation Plan (FY 1999-2018)* (Frankfort, KY: Author, December 1999) 127-165.

¹¹ MDC 10.

¹² These data were obtained from surveys by KLTPrC conducted by the UK Survey Research Center (UKSRC) in the fall of 2000. Households were selected using random-digit dialings, a procedure giving every residential telephone line in Kentucky an equal probability of being called. Calls were made from October 28 to November 21, 2000. The sample includes 859 noninstitutionalized Kentuckians aged 18 or older. The margin of error is slightly less than 3.3 percentage points, with a 95 percent confidence interval. The 95 percent confidence interval for recycling is 61 to 76. The cultural participation 95 percent confidence intervals for western and nonwestern Kentucky are 39 to 56 and 59 to 66, respectively.

¹³ In addition to 10 of the counties in the western region defined by this analysis, the coal field also underlies two counties in the south central region.

¹⁴ Energy Information Administration, "Table 3. Coal Production and Number of Mines by State and Mine Type, 2000," (Washington, D.C.: Author, 2001). <www.eia.doe.gov/cneaf/coal/cia/html/tb103p01pl.html>.

¹⁵ The Office of Surface Mining, "Kentucky: The state with the most active coal mines," (Washington, DC: Author, 1998) 40-41. <www.osmre.gov/pdf/Kentucky.pdf>.

¹⁶ Cole, Siegel, and Williamson 84-85.

¹⁷ The 95 percent confidence intervals for western and nonwestern Kentucky are 86 to 95 and 93 to 96, respectively.

¹⁸ The 95 percent confidence intervals for western and nonwestern Kentucky are 89 to 97 and 94 to 97, respectively.

¹⁹ The 95 percent confidence intervals for western and nonwestern Kentucky are 45 to 61 and 56 to 63, respectively.

²⁰ The 95 percent confidence intervals for volunteerism in western and nonwestern Kentucky are 50 to 66 and 54 to 62, respectively, and for charitable donations are 68 to 81 and 80 to 85, respectively.

²¹ These data were obtained from surveys conducted by the UKSRC in the spring of 2002, using methods described in endnote 12. The calls were made from July 20 to August 16, 2002. The sample for the 2002 survey includes 882 noninstitutionalized Kentuckians 18 years of age or older. The margin of error for the survey is slightly less than 3 percentage points at the 95 percent confidence level. The 95 percent confidence intervals for western and nonwestern Kentucky are 81 to 92 and 83 to 88, respectively.

²² The 95 percent confidence intervals for group participation in western and nonwestern Kentucky are 39 to 54 and 42 to 50, respectively, and for leading such a group are 7 to 16 and 8 to 12, respectively.

²³ See endnote 12 for more details on the methodology used to obtain these data. The 95 percent confidence intervals for western and nonwestern Kentucky are 18 to 33 and 25 to 32, respectively.

²⁴ Michael T. Childress, "A Changed World: 9/11's Implications for Kentucky," in *The Road Ahead: Uncertainty and Opportunity in a Changed World* (Frankfort, KY: The Kentucky Long-Term Policy Research Center, 2002) 7.

Walter A. Baker, the Consummate “Public Man,” 2003 Hellard Award Winner

Walter A. Baker, a Glasgow attorney with a reputation for public service that has extended to the international stage, is the recipient of the 2003 Vic Hellard Jr. Award. The award, presented annually by the Kentucky Long-Term Policy Research Center Board of Directors, recognizes an individual for his or her contributions to the future well-being of the Commonwealth. It will be presented at the Center’s 10th annual conference in Louisville at the Kentucky International Civic Center.

“Walter Baker is a man who gets things done, a wonderful public servant, and one of Kentucky’s really first-rate citizens,” observed historian Dr. Thomas Clark. “He has been a prime mover in modernizing Kentucky’s educational systems and developing the History Center in Frankfort . . . he is a *public man* who makes living in this Commonwealth worthwhile.”

A native of Columbia in Adair County, Baker went from this small rural community to one of the nation’s largest cities and its most prestigious college, Harvard University. Undaunted by the challenge, he graduated *magna cum laude* and went on to earn a law degree, also from Harvard.

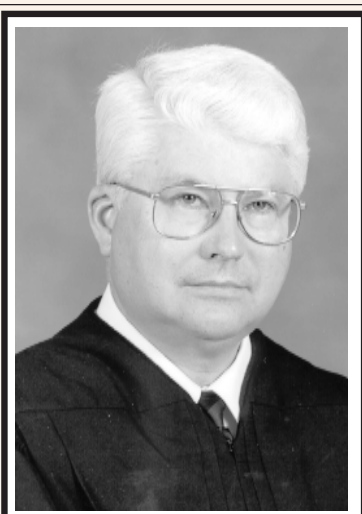
What followed has been a remarkable and distinguished career of public service. Indeed, over a career that now spans more than 40 years, Walter A. Baker has arrived on virtually every short list of Kentucky’s most respected public servants, serving in key elected, appointed, and voluntary posts and receiving accolades for his work in each of them.

Baker’s remarkable career has included national as well as state service. As a Lt. Colonel in the U.S. Air Force Reserves, Baker served as a Judge Advocate with the Kentucky Air National Guard for 20 years and was called to active duty for more than a year. He was awarded medals in 1969 and 1981 for meritorious service.

Between 1981 and 1983, Baker served as the Assistant General Counsel for International Affairs for the U.S. Department of Defense in the Secretary’s office, receiving an award for outstanding public service in that post.

Baker’s wealth of experience has also helped other nations meet the challenge of framing a new democracy. In 1995, Baker was selected by the U.S. Information Agency to advise the emerging Russian democracy on the legislative process and the construction of a constitution and later in 1997 to address an economic conference in Poland.

Prior to his work with the federal government, Baker served terms in both houses of the General Assembly, rising to the post of Minority Caucus Chairman in the Senate and serving as Vice Chair of the Senate Appropriations and Revenue Committee. During his tenure as a legislator, Baker was recognized in virtually every session by the Capitol press corps, first as the outstanding freshman Senator, then subsequently as the most valuable member of his party and, in the 1978 session, as the most outstanding orator



in the Senate. Numerous other accolades followed.

During his tenure as a legislator, Baker was active in the National Conference of State Legislatures (NCSL), serving as a member of delegations to China, Germany, and Japan, and as a member of the national organization’s Law and Justice Committee.

In 1989, Baker’s reputation made him a logical choice for inclusion on the Sixth Circuit Nominating Commission’s short list (three attorneys) of recommendations for appointment to the U.S. Court of Appeals, Sixth Circuit. In 1996, the governor appointed Baker to the Kentucky Supreme Court.

Baker presently serves on the Board of the Council on Postsecondary Education, as the First Vice President of the Kentucky Historical Society, and as a director of Leadership Kentucky. Over the years, he has served on task forces and commissions charged with studying topics ranging from health care and educational reform to criminal sentencing and legislative ethics.

Given in recognition of service in the interest of Kentucky’s future, the Hellard award is given in memory of Vic Hellard Jr. and in honor of his long and distinguished career of public service. As Director of the Legislative Research Commission, Hellard was a tireless champion of legislative independence, considered by many to be the cornerstone of modern governance in Kentucky. He is also widely credited as the principal architect of the Kentucky Long-Term Policy Research Center. At the time of his death in 1996, Hellard, who had retired from his LRC post, was serving as a member of the Center’s Board, contributing substantially to its guidance and efforts to shape a vision for the future of the state and a system for evaluating progress toward its realization.

Previous winners of the Hellard Award are: *Judge Anthony M. Wilhoit*, retired Chief Judge of the Kentucky Court of Appeals and now Executive Director of the Kentucky Legislative Ethics Commission; *Joseph W. Kelly*, who served as chairman of the Kentucky Board of Education from 1991 until April of 1998, a period of far-reaching change for education in Kentucky; *Mary Helen Miller*, a retired state government executive whose career began in the classroom and went on to include high-level posts in both the legislative and executive branches under two governors; veteran journalist *Al Smith*, a former newspaper publisher, editor, and reporter, and one of the state’s most engaging and enduring media personalities; renowned State Historian for Life, *Dr. Thomas D. Clark*, author of more than 20 books, recipient of countless awards, and the founder of the Thomas D. Clark Foundation, a private, nonprofit foundation that provides financial support for the University Press of Kentucky; and *Virginia Fox*, long-time Executive Director of Kentucky Educational Television, who helped bring public television into the Kentucky classroom and the 21st century. ♣

At the Crossroads



Prospects for Kentucky's Educational Future: Preschool to Postsecondary

November 18, 2003 ♦ International Convention Center ♦ Louisville, Kentucky
8:30 a.m. to 4:15 p.m.



The 10th Annual Conference of the

KENTUCKY
LONG-TERM POLICY RESEARCH CENTER

Jointly Sponsored by

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_____ \$40 Registration before November 10, 2003

_____ \$10 Student Rate _____ Group Rate (5th attendee is free when registration is submitted with copies of 4 paid registrations)

Registration faxed or postmarked after Nov. 10, 2003, will be \$50.

STATE EMPLOYEES

MARS Agency # _____

Contact Person for MARS _____ Phone _____ E-Mail _____

SPECIAL NEEDS? (Dietary or Other) _____

CANCELLATION, REFUND, & SUBSTITUTION POLICIES *Cancellations received after November 10, 2003, will not be refundable. Substitutions are welcome. "No shows" will be charged the full fee.*

TO REGISTER *Copy this form as many times as needed and mail or fax it, with a check or money order made payable to the Kentucky State Treasurer, to the:*

Education Conference
PO Box 4817
Frankfort, KY 40604-4817

Fax: 502-564-1412 or 800-383-1412
or

Register online at: www.kltprc.net/conference2003.htm

A G E N D A

NOVEMBER 18, 2003

Registration

4:00 – 6:00 p.m. EST Monday, November 17, 2003

7:00 – 8:30 a.m. EST Tuesday, November 18, 2003

8:30 – 8:45 a.m.

Welcome

Mary Lassiter, Acting State Budget Director and
Chair of the Kentucky Long-Term Policy Research Center Board of Directors

8:45 – 9:10 a.m.

A Look Back Over the Last Eight Years

Governor Paul E. Patton

9:15 – 10:10 a.m.

A National Perspective on the Current State of Education



Moderator: **Dr. Robert Sexton**, Executive Director, Prichard Committee for Academic Excellence, KLTPRC Board Member

Panelists: **Virginia Edwards**, Editor, *Education Week* and *Teacher Magazine*; **Dr. David Longanecker**, Executive Director, Western Interstate Commission for Higher Education

10:15 – 10:40 a.m.

A Vision of Kentucky's Educational Future

Governor-elect (invited)

10:45 – 11:00 a.m. BREAK

11:00 – Noon

KET Panel Discussion

At the Crossroads: Prospects for Kentucky's Educational Future

Moderator: **Bill Goodman**, Host of KET's *Kentucky Tonight*

Panelists: **Sen. Lindy Casebier**, Chair, Senate Education Committee, Kentucky General Assembly; KLTPRC Board Member; **Mr. Bill Harper**, Owner, Harper Industries; **Dr. Marlene Helm**, Secretary, Education, Arts and Humanities Cabinet; **Dr. Cheryl King**, Vice President of Adult Education, Council on Postsecondary Education (CPSE); **Dr. Thomas Layzell**, President, CPSE; **Rep. Frank Rasche**, Chair, House Education Committee, Kentucky General Assembly; **Rep. Jody Richards**, Speaker of the House, Kentucky General Assembly; **Dr. Kim Townley**, Acting Division Director, Division of Early Childhood Development, Kentucky Department of Education; **Dr. Gene Wilhoit**, Commissioner, Kentucky Department of Education; **Sen. David Williams**, President of the Senate, Kentucky General Assembly

12:00 – 1:30 p.m.

Lunch

United States Senator Mitch McConnell (invited)

and

Presentation of the 2003 Hellard Award

1:30 – 2:45 p.m.

CONCURRENT SESSIONS

KIDS NOW = Current Investment for Future Success

Moderator: **Dr. Kim Townley**, Acting Division Director, Division of Early Childhood Development, Kentucky Department of Education

Panelists: **Michael Cheek**, Director of the Division of Child Care, Dept. for Community Based Services, Cabinet for Families and Children; **Germaine O'Connell**, Child Development Section, Maternal and Child Health Branch

Assessment and Accountability: Melding the Old with the New

Moderator: **Dr. Paul B. Cook**, KLTPRC Board Member

Panelists: **Jana Beth Francis**, Director of Assessment, Research and Curriculum Development, Daviess County Public Schools; **Kevin M. Noland**, Deputy Commissioner, Kentucky Department of Education; **Robyn Oatley**, Principal, Millcreek Elementary School, Lexington

The Cost of Quality: How Much?

Moderator: **Dr. Penny Miller**, KLTPRC Board Member

Panelists: **Blake Haselton**, Superintendent, Oldham County Schools; **Dr. Phillip W. Roeder**, Professor of Political Science, University of Kentucky

Roadblocks to Higher Education: Funding, Preparation, & Access

Moderator: **Dr. Mel Letteer**, Economist, KHEAA

Panelists: **Dr. Brian Fitzgerald**, Director, Advisory Committee on Student Financial Assistance; **Dennis Jones**, President, National Center for Higher Education Management System; **Dr. Thomas D. Layzell**, President, Kentucky Council on Postsecondary Education; **Jonathan Miller**, Kentucky State Treasurer

Mapping the Future of Higher Education: Reauthorization of the HEA

Moderator: **Marylin McAdam**, Consultant, McA Enterprises, Inc.

Panelist: **John Dean**, Partner, Dean, Glakey & Moskowitz; **Dr. Dallas Martin**, President, National Association of Student Financial Aid Administrators; **Dr. Thomas Wolanin**, Senior Associate, Institute for Higher Education Policy

2:45 – 3:00 p.m. BREAK

3:00 – 4:15 p.m.

CONCURRENT SESSIONS

A New Route for KEES?

Moderator: **Dr. Gary Cox**, President, Association of Independent Kentucky Colleges & Universities

Panelists: **Sen. Lindy Casebier**, Chair, Senate Education Committee, Kentucky General Assembly; KLTPRC Board Member; **Rep. Mary Lou Marzian**, Member, House Education Committee, Kentucky General Assembly; **Rep. Frank Rasche**, Chair, House Education Committee, Kentucky General Assembly; **Sen. Jack Westwood**, Vice Chair, Senate Education Committee, Kentucky General Assembly

Improving Mileage: Stretching College Dollars to Cover Increasing Costs and Decreasing Budgets

Moderator: **Dr. David Longanecker**, Executive Director, Western Interstate Commission for Higher Education

Panelists: **Dr. Bill Crouch**, President, Georgetown College; **Rep. Harry Moberly**, Chair, House Appropriations and Revenue Committee, Kentucky General Assembly; **Dr. James Ramsey**, President, University of Louisville

Rerouting the Road to Nowhere

Moderator: **Dr. Lucian Yates, III**, Chair, Division of Education and Human Services, Kentucky State University

Panelists: **Marcia K. Carpenter**, Chair, KHEAA/KHESLC Board of Directors; Guidance Counselor, Daviess County; **Anna Leasure**, Director, Educational Talent Search, Madisonville Community College; **Kate Williams**, Director, NOVA Program, Eastern Kentucky University

Collective Progress Is Not Enough: Dealing with the Achievement Gap

Moderator: **Dr. Betty Griffin**, KLTPRC Board Member

Panelists: **Dr. Roger Cleveland**, Director, Division of Education Equity, Kentucky Department of Education; **Ms. Vickie Maley**, Director of Educational Programs, Paducah Public Schools; **Ms. Marylin McAdam**, Consultant, McA Enterprises, Inc.; **Susan Perkins Weston**, Executive Director, Kentucky Association of School Councils

Adult Education and Literacy: Ensuring That No Adult Is Left Behind

Moderator: **Dr. Cheryl King**, Vice President of Adult Education, CPSE

Panelists: **Judge Reid Haire**, Daviess County Judge/Executive; **Ms. Julie Scoskie**, Director, Jefferson County Public School Adult and Continuing Education Program; **Dr. Barbara Veazey**, President, West Kentucky Community and Technical College; **Sen. David Williams**, President of the Senate, Kentucky General Assembly

Scanning Kentucky

Emerging trends and issues that may affect the Commonwealth's future

State Budget Gaps Grow at Alarming Rate

State budgets remain awash in red ink in spite of actions that have already “ravaged” some state programs, according to an April 2003 report from the National Conference of State Legislatures (NCSL). With just two months left in the fiscal year, more than half of states reported still having gaps to close, leaving state policymakers with the difficult and politically vexing problem of resolving stubborn shortfalls.

Sluggish revenues are still the major cause of budget shortfalls. Indeed, most states have seen their budget forecasts miss the mark. Only three states reported revenues above original estimates while they fell short in 37 states. Just 10 states met 2003 forecasts. As a result of the continued slowdown in revenues, 44 states have revised their 2003 revenue estimates. The trend, NCSL reports, is mostly downward.

To balance their budgets, states have drained rainy day funds, tapped designated state funds, delayed capital projects, and cut spending. More programs may face deeper cuts. In 21 states, proposals that would reduce K-12 education spending are reported to be in the works while another 26 states are considering marking cuts to higher education and authorizing tuition increases. Still other states are looking for ways of reducing state employee expenses, from modification of compensation packages to early retirement programs. And at least 27 states report that they are continuing to search for ways to contain Medicaid spending while 19 are considering ways of cutting their corrections budgets, including sentencing restructuring.

Implications for Kentucky. The Commonwealth has adopted seemingly every strategy to close its modest-by-comparison budget gap, with the notable exception of raising taxes. In this case, we're not alone. NCSL recently found, with 42 states reporting, that net increases over 2002 taxes were 1.3 percent in 2003. However, that's a sharp contrast to the preceding 9 years, during which the states cut taxes every year by as much as 2 percent.

Dr. William F. Fox, who advised the General Assembly's Subcommittee on Tax Policy Issues about the best approaches for modernizing the state's tax structure and addressing the revenue shortfall suggested that three variations are available to state policymakers: (1) reduce the size of government; (2) increase tax rates; and/or (3) increase the elasticity of the tax structure to permit revenues to grow more rapidly. The latter recommendation, Dr. Fox observed in his report, “is much preferred as a general rule,” as it enables policymakers to lower tax rates over a broader tax base and achieve “stronger natural growth in tax revenues.”

Cuts Imperil Health Coverage for States' Poor

Millions of low-income Americans face the loss of health insurance or sharp cuts in benefits, like coverage for prescription drugs and dental care, under proposals now moving through state legislatures around the country. *The New York Times* reports that state officials and health policy experts say the cuts will increase the number of uninsured, threaten recent progress in covering children, and impose severe strains on hospitals, doctors, and nursing homes.

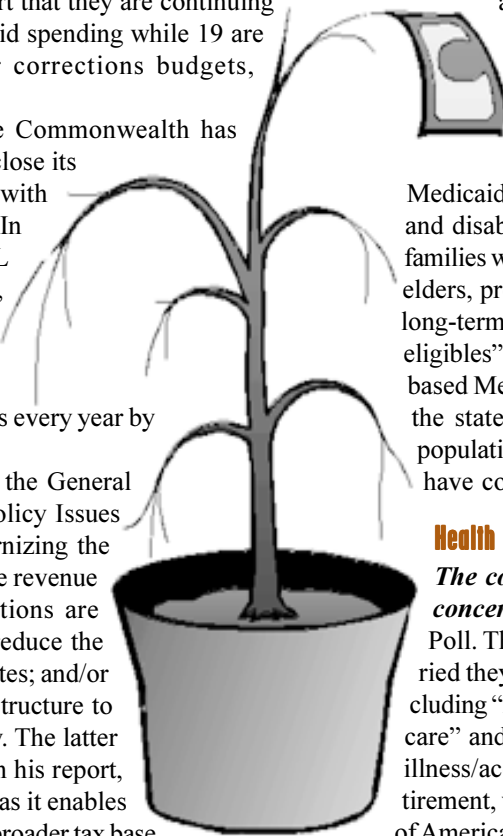
Facing the third straight year of fiscal crisis, state budget officials say they have no choice but to rein in Medicaid, the fast-growing program that provides health insurance for 50 million people. Many state officials are pleading for more federal help, as they face an array of painful trade-offs, often pitting the needs of poor elderly people for prescription drugs and long-term care against those of low-income families seeking basic health coverage.

Implications for Kentucky. Like most states, Kentucky has moved to rein in Medicaid costs, adopting multiple strategies, including tighter management of pharmacy benefits and lower income standards for some beneficiaries. As a result, some elderly beneficiaries in long-term care facilities lost support for their care, and a storm of public protest ensued. Less noticed have been the resumption of cumbersome income documentation and in-person application requirements that necessitate costly travel for poor families. Advocates for the poor argue that this reversion to past practices will keep many from applying and thus receiving benefits.

Kentucky's Medicaid problem is in part one it shares with most states. Roughly 70 percent of all Medicaid dollars here and nationally go to care for the elderly and disabled under a program most think of as welfare for families with children. Medicaid fills Medicare's gaps for poor elders, providing prescription drug coverage and paying for long-term care. In Kentucky, 22 percent of seniors are “dual eligibles” who qualify for both age-based Medicare and need-based Medicaid, compared with 15 percent nationally. Thus, the state shoulders part of the cost of caring for a large population of needy older citizens who are far more likely to have costly chronic conditions.

Health Care Costs High on Public's List of Worries

The cost of health care is among the biggest financial concerns Americans have, according to a recent Gallup Poll. The April 7-9 Gallup Poll asked Americans how worried they were about seven common financial concerns, including “not being able to pay medical costs for normal health care” and “not being able to pay medical costs of a serious illness/accident.” Only one item, not having enough for retirement, was viewed as a significant worry by more than half of Americans. Despite a slow economy, two of the three financial concerns about which Americans are most likely to say



they are *very* worried involve health care. Fully 24 percent of Americans say they are very worried (and another 22 percent are moderately worried) about paying for medical costs that result from a serious illness or accident. Even paying for normal health care costs has 17 percent of Americans very worried about their ability to pay and another 20 percent moderately worried.

Implications for Kentucky. Public anxiety about the ability to meet health care costs has risen with double-digit increases in the cost of health insurance. Rising costs combined with a “jobless” recovery added 2.4 million more Americans to the rolls of the uninsured last year, the U.S. Census Bureau reports. At an as-yet unknown point, public anxiety combined with the continued erosion of employer-sponsored health care benefits for both current workers and retirees and their families are likely to translate into real pressure for change, rather than discomfort with current circumstances.

Arguably, an advanced health care system like ours is always going to be costly—and likely worth the price—but the challenge of paying for it remains huge and essentially unmet. The plight of the uninsured and the huge costs their exclusion from our health care system exacts on our society (See *Foresight*, Vol. 10, No. 2) often go ignored due to the cost. Thus, discovering a workable, long-range plan for containing and meeting costs while expanding access remains a critical but unmet public priority.

More Mothers of Infants Forgo Employment

The Census Bureau reports that the rate of mothers with infant children in the labor force declined nationwide from a record of 59 percent in 1998 to 55 percent during 2003, suggesting that fewer jobs that offset the cost of day care were available and, for those who can afford not to work, values and priorities may be shifting. This marks the first significant decline in this rate since the Census Bureau began collecting these data in 1976 when 31 percent of these mothers were employed.

To help juggle motherhood and careers, many mothers turn to one of the more than 67,000 day care centers across the country. Among more than 10 million preschoolers, about 2 million were primarily cared for in such a facility during the bulk of the mothers’ working hours. There are 10 million single mothers living with children under 18, up from 3 million in 1970. Nationally, among mothers between 15 and 44 who do not have infants, 74 percent are in the workforce, so the importance of labor force participation for women—from earnings to pensions—has risen substantially.

Implications for Kentucky. Kentucky, this same report notes, has one of the highest rates of motherhood in the nation among women aged 15 to 44, 67 percent compared with the U.S. average of 57 percent. In recent history, women of all ages in Kentucky have had lower labor force participation rates than those at the national level, but poverty is more acute here and propels many mothers of very young children into the labor force.



Justices Allow Drug-Cost Plan to Go Forward

Maine’s innovative and somewhat controversial plan to reduce prescription drug costs for uninsured state residents by pressuring manufacturers to grant price rebates received the U.S. Supreme Court’s qualified approval this spring, *The New York Times* reports. The 6-to-3 decision lifted an injunction that had prevented the Maine Rx Program from taking effect

since the state legislature enacted it in 2000. The court’s action is likely to shift the drug pricing debate away from the courts and back to the executive branch and the states.

While prescription drug legislation remained stalled in Congress, about half the states started experimenting with ways to hold down costs for various groups of consumers. Among these efforts, the Maine program was one of the earliest and broadest. Intended primarily for the state’s 325,000 residents without health insurance, the program set no income ceiling or other description of financial need. Thus, it was theoretically open to anyone, although the state has moved to disqualify those who have prescription drug coverage.

Under Maine Rx, the state assumes the role of a pharmacy benefit manager and requires drug manufacturers who want to sell their products in Maine to negotiate rebates similar to those the manufacturers have accepted on drugs they sell through the Medicaid program. Since a state cannot directly impose price regulation, Maine gave the drug companies a powerful incentive to go along: manufacturers that did not cooperate faced having their products subject to a “prior authorization” procedure under which the state’s Department of Human Services would have to approve prescriptions case by case before pharmacies could dispense them.

Implications for Kentucky. Since this spring decision, Maine has revised and moved to implement its Rx program, and 18 other states now have similar bills in the works. Budget constraints, however, have slowed action and implementation. At present only Hawaii has a similar program in place.

During 2003, according to NCSL, funding shortfalls delayed the launch of prescription drug programs in Arizona, Arkansas, Oregon, and Texas. Nevertheless, as of September 2003, NCSL reports that 38 states have authorized or enacted prescription drug programs; 28 have them in operation. Alternatively, some states are creating organized responses to the offers of pharmaceutical firms to discount or provide free medications for poor individuals. In the absence of congressional action, which may not benefit Kentucky’s poor elders or relieve fiscal pressure on Medicaid, public demand for some relief on this centerpiece of modern health care can be expected to mount.

Northeast Taxes Driving Elders from Their Homes

Soaring northeast property values have not only increased the value of homes, they have increased tax burdens on homeowners, many of whom now live on fixed incomes. In recent years, according to *The New York Times*, states have begun to reassess property more often, so assessed values now more closely reflect the actual value of homes. This has created huge, sometimes unmanageable, tax burdens for many longtime homeowners.

Several towns have responded by creating ways to make property taxes less onerous. At least three towns have adopted programs allowing older people to work off part of their taxes. Others have increased tax exemptions for the elderly or allowed them to postpone paying part of their taxes until they sell their property. But because state aid to towns has decreased as much as 30 percent since 2001, many cities cannot afford such programs. In better times, towns could lower taxes as houses rose in value and still have enough revenue. More recently, however, tax rates have remained relatively constant in many northeastern towns while budget demands have not.



Implications for Kentucky. Home to some of the most affordable housing in the nation, the real and assessed values of most Kentucky homes as well as property tax rates are low relative to much of the nation. Moreover, assessed values tend to be well below the market value of homes. However, in some of our more urban areas where home values have risen sharply, homestead exemptions may not be generous enough to protect some longtime homeowners. The experiences of these cities should be monitored as our population ages and our housing stock, much of which is normally concentrated in the hands of older citizens, presumably rises in value and creates potentially unmanageable tax burdens.

Black Children in Deep Poverty Rising

The number of black Americans under age 18 who live in extreme poverty has risen sharply since 2000 and is now at its highest level since the government began collecting such figures in 1980, according to a study by the Children's Defense Fund, a child welfare advocacy group. In 2001, the last year for which government figures are available, nearly 1 million black children were living in families with after-tax incomes that were less than half the amount used to define poverty. The poverty line for a family of three was about \$14,100, so a family of three living in extreme poverty had a disposable income of about \$7,060. In early 2000, only 686,000 black children were that poor, indicating that the economic circumstances of the poorest black families deteriorated sharply from 2000 to 2001.

Implications for Kentucky. While the Commonwealth's black population remains relatively small, children are a large component

of it. Increasing ethnic and racial diversity and ensuring opportunities for members of minority populations is key to building strong, successful communities. Any child who is left behind, to borrow President Bush's phraseology, is far more likely to become an adult who will take more from society than he or she is capable of giving.

More States Cut Aid for Child Care

Nearly half the states have reduced child care subsidies for poor families during the past two years, according to a federal study which shows that state fiscal problems have prompted agencies to restrict eligibility, stop accepting new families, or charge them more for the care. The analysis found that the changes have, in particular, decreased the availability of subsidized day care for low-income working families, although a few states have also tightened subsidies for families that are on welfare or have recently left it. The trend is an example of the pressures that a weakened economy and states' strained budgets are placing on services for needy residents. The contraction in child care aid resembles changes that most states have made recently to rein in their expenditures on Medicaid. And,

as with Medicaid, the changes in child-care policies are fueling a disagreement between the political parties over whether the federal government should help states by giving them more money.

Implications for Kentucky. Ironically, when need is most acute, public programs that have enabled and encouraged higher levels of economic independence are targets of cutbacks. The short-term gains that such cuts yield may carry long-term costs states can ill afford. *~*



FORESIGHT KENTUCKY

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